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LANSING

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**TO:** Participating Schools and Lenders

**FROM:** Patricia W. Scott, Director *PWS*

**DATE:** April 25, 2003

**SUBJECT:** Educational Loan Notes

**PLUS MASTER PROMISSORY NOTE IMPLEMENTATION**

Beginning July 1, 2003, parent borrowers may begin to use the PLUS Master Promissory Note (MPN) for the upcoming academic year. The Michigan Guaranty Agency (MGA) is pleased to provide you with the following information on the new PLUS MPN, and to let you know when parents may begin taking advantage of all of the benefits it offers, including:

- A more simplified application process because the student signature is no longer required.
- A reduction in manual paperwork.
- A faster, streamlined turnaround for disbursement of loan funds.

MGA and other members of the financial aid community collaborated to create industry standards for the PLUS MPN and is proud of the work that has been done. The U.S. Department of Education (ED) issued final forms and guidance in February 2003. To allow schools, lenders, and guarantors time to institute necessary system changes, a transition period is allowed during which schools and parent borrowers may complete, and guaranty agencies and lenders may accept, both the new PLUS MPN and the current Federal PLUS Loan Application and Promissory Note.

The PLUS MPN may be used for federal PLUS loans for loan periods beginning on or after July 1, 2003. It must be used for all federal PLUS loans with loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period. The new PLUS MPN is designed for a parent borrower to use as a multi-year "serial" note for each dependent student. ED's Dear Colleague Letter GEN-03-03 ([ifap.ed.gov/dpcletters/GEN0303.html](http://ifap.ed.gov/dpcletters/GEN0303.html)) outlines the procedures schools should follow regarding this process. PLUS MPN forms can also be found at this site.

**MGA's Plan to Implement and Process PLUS MPNs**

- To ensure timely processing of PLUS applications, MGA requests that schools do not send/transmit any PLUS MPNs, paper or electronic, until June 30. Our servicer's system will be fully upgraded and ready to support the new PLUS MPN at that time.
- Until June 30, please continue to utilize the Federal PLUS Loan Application and Promissory Note to ensure timely processing of loan applications.
- In the event that a PLUS MPN is received prior to June 30, it will be processed as follows:
  - Paper applications will be held and processed when our system enhancements are completed.
  - Applications transmitted electronically will be returned to the sender. The electronic record can either be retransmitted immediately as a PLUS common application or be resent as a PLUS MPN on June 30.

*(Continued on the next page.)*

- Schools will be automatically set up for the PLUS MPN effective July 1, 2003. Schools that would prefer not to have this feature enabled must notify MGA (if you have not done so already) via e-mail at [mga@michigan.gov](mailto:mga@michigan.gov) or contact Stacy Cardwell in our School Services Unit at ext. 36074.

### **Other PLUS MPN Items to Consider**

Additional information for schools to consider regarding the PLUS MPN includes the following:

- The PLUS MPN may be implemented with either CommonLine 4 or CommonLine 5; updated specifications from the National Council of Higher Education Loan Programs (NCHELP) are available at [nchelp.org/committees/e\\_standards/esc.asp](http://nchelp.org/committees/e_standards/esc.asp).
- Check with your service providers (guarantors, lenders, and servicers) before implementing the PLUS MPN on your campus.
- Verify that your school's internal systems are actually ready for processing PLUS MPNs.
- Review any of your school's written communications and Web sites to determine if content needs to be adjusted for the PLUS MPN.

If you have any general questions regarding the new PLUS MPN, please contact Flora Boles via e-mail at [bolesf@michigan.gov](mailto:bolesf@michigan.gov) or by phone at ext. 52882.

### **STUDENT BORROWER SERVICES (SBS)**

In May 2000, MGA contracted with Student Borrower Services (SBS) to contact high-risk borrowers during their grace period to develop a relationship with them. We believe it is important to establish contact with high-risk borrowers to prepare them for loan repayment. Based on national studies, MGA has defined high-risk borrowers as those who withdraw or drop to less than half-time from any type of school, as well as borrowers who graduate from proprietary schools or community colleges.

SBS's goal is to be the borrowers' advocate and help them stay current on their repayment agreements with their lender to prevent delinquencies. One way to accomplish this goal is to educate borrowers on the importance of debt management. If necessary, SBS will include the

borrower, lender, and/or lender servicer in a conference call to expedite communications and resolve any issue on the spot. Borrowers' current demographic information is obtained and forwarded to their lenders or lender servicers. SBS will keep in contact with the borrowers and help them develop proper payment habits.

As of December 31, 2002, over 21,000 high-risk borrowers are being monitored. Of these, 97 percent are in good standing (53 percent in grace, 41 percent making payments, and three percent in forbearance or deferment status). The other three percent are in delinquent, death, disability, or bankruptcy status.

### **NSLDS STUDENT ELIGIBILITY CHANGES FOR AWARD YEAR 2003-2004**

ED has enhanced the National Student Loan Data System (NSLDS) for aggregate changes for Award Year 2003-2004. Aggregate calculations have changed to more accurately determine a student's eligibility for Title IV loans. The changes include new definitions, new calculations, a breakdown of Federal Family Education Loan Program (FFELP) Consolidation loans (CL), and a new warning icon.

#### **New Definitions**

- Recent Loan** - Loan period end date, plus 90 days and in an in-school status. (Previously, it was defined as a direct loan or FFELP loan in an in-school status and approved/guaranteed within the last calendar year.) This change gives a more accurate aggregate calculation by looking at the loan periods instead of the calendar year and allows a more accurate account of pending disbursement calculations.
- Net Loan Amount** - Approved/guaranteed amount minus cancellations, minus refunds. (Previously, refunds were not included in the formula.)
- Underlying Loan** - A loan associated with a Consolidation loan with a loans status of Paid in Full through Consolidation (PC), Non-Defaulted, Paid in Full through Consolidation (PN), or Defaulted, Paid in Full through Consolidation (DN), and the loan status date of the underlying loan is within 210 days (before or after) of the Consolidation loan date.

*(Continued on the next page.)*

**New Calculations**

- For recent loans using the new definition:
  - If both Outstanding Principal Balance (OPB) and Disbursed Amount are greater than zero, or
  - If either OPB or Disbursed Amount is greater than zero, then
  - Use the greater of the OPB or Disbursed Amount, not to exceed the net loan amount.
  - If both OPB and Disbursed Amount equal zero, use zero. In this case, the loan is guaranteed/approved, but not disbursed.

**Breakdown of Consolidation Loans**

- To relieve the burden on financial aid administrators, another change this year includes the breakdown of the FFELP Consolidation loan into Aggregate Subsidized, Aggregate Unsubsidized, Aggregate Combined, and Unallocated Combined.
- Financial aid administrators are able to see the dollar amounts included in the aggregate totals at the loan detail level on the NSLDS Web site, Transfer Student Monitoring Alert, and the financial aid history batch reports and extracts. This breakdown is not displayed on the NSLDS History page of the Institutional Student Information Record (ISIR) for 2003-2004.

**Changes to Aggregate Loan Information Table on the Loan History Web Page:**

- A new row will be inserted to include Consolidation loan Unallocated amount(s). This will display as "FFEL Consolidation Loans, Unallocated."
- The aggregate Combined Loans Outstanding Principal Balance will include any Subsidized loans, Unsubsidized loans, and FFELP Consolidation-Unallocated amounts.

**New Warning Icon**

- The final aggregate change is a warning icon that appears on the Loan History page of the NSLDSFAP Web site for students who are exceeding their aggregate totals. There is one icon for exceeding subsidized limits and one for exceeding combined limits.

**Pre-screening Changes for Award Year 2003-2004****New Discharged Loan Flag Values**

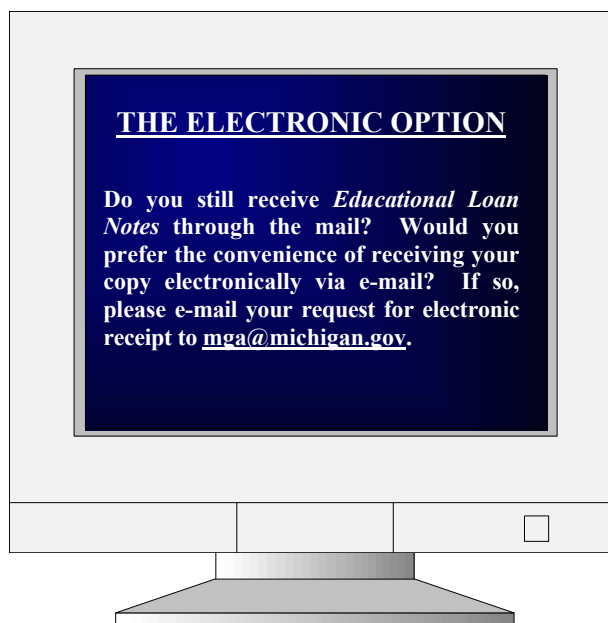
- Discharged loans will no longer be indicated by a Y (yes) or N (no) flag. Instead,

discharged loans will now display a flag that indicates the specific type of discharge. The new discharged loan flags include the following:

- D = Death
- R = Reaffirm
- C = Conditional Discharge
- P = Permanent Discharge
- M = Multiple Codes Exist
- N = None

**Post-screening Changes for Award Year 2003-2004**

- Multiple post-screening codes will be displayed on the NSLDS history page of the ISIR. This page can now display up to three post-screening codes.
- NSLDS will generate multiple aggregate alerts when a borrower goes from above aggregate limits to below and vice versa.
- NSLDS will generate a post-screening ISIR for discharge code changes when it starts receiving this information.
- Three new reason codes are included for this year. They are:
  - 11 = No longer exceeds subsidized aggregate limit.
  - 12 = No longer exceeds combined aggregate limit.
  - 13 = Change in disability status between conditional and permanent.



### 2003 SPRING SCHOOL WORKSHOPS

Mark your calendar for the 2003 Spring School Workshops. MGA will offer these workshops at no cost to your institution at the following locations:

Tuesday, May 20, 2003  
St. John's Golf and Conference Center  
Plymouth, MI

Wednesday, May 21, 2003  
Crowne Plaza  
Grand Rapids, MI

Registration materials were distributed in April. Tentative agenda topics include:

- **Policy and Regulatory Update**
- **FFELP Need-To-Know Issues**
- **Credit Card Debt on Campuses**
- **PLUS MPN**
- **Financial Aid Office Staff and Privacy Issues**
- **Financial Aid Electronic Resources**

#### **Workshop Overview**

- **Policy and Regulatory Update**  
This session will provide easy-to-understand information on federal student financial aid, including a summary of the changes that resulted from the FED-UP initiative. Activities include roundtable discussions on the delivery system and reauthorization.
- **FFELP Need-To-Know Issues**  
This is a question and answer session that reviews what you need to know about FFELP. Test your knowledge of repayment plans, deferments, exit interview requirements, and loan cancellation and discharge provisions. We will conclude with an update on what is new in FFELP.
- **Credit Card Debt on Campuses**  
More than half of all college students possess at least one credit card. Why is this an issue for financial aid administrators? The percentage of students misusing credit is even higher for those with education-related loans. According to a 2001 Nellie Mae study, the average undergraduate credit card debt is more than \$2,000.

- **PLUS Master Promissory Note**

Do you know when and how the new PLUS MPN should be used? Key features of the PLUS MPN, including the processing requirements, will be discussed during this session. We also will explore processing procedures that you can take back to the office.

- **Financial Aid Office Staff and Privacy Issues**

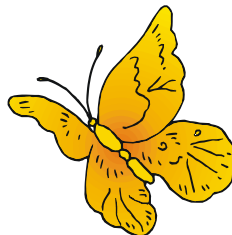
When to release student records is an interesting question that confronts financial aid office staff on a daily basis. This informative session will explore the background of the Federal Education Rights and Privacy Act (FERPA) and review some recent legislative amendments, including the Patriot Act, the Campus Sex Crimes Prevention Act, and the Student and Exchange Visitor Information System. In addition to providing examples of how campuses are complying with FERPA, we will examine a number of interesting case studies (obtained from actual financial aid records).

- **Financial Aid Electronic Resources**

With continuing advances in technology, financial aid administrators should familiarize themselves with the many electronic resources available to assist them with their daily operations. This reference piece will discuss and highlight the various Web sites available to financial aid administrators. This tool also will include e-mail lists and electronic newsletters that you might find useful.

- **Afternoon Session**

The afternoon session is reserved for an in-depth look at and discussion of the five modules of the Life Skills<sup>™</sup> financial literacy program and its use in Michigan.



## **ELECTRONIC COHORT DEFAULT RATE NOTIFICATION PROCESS**

The June 1, 2003, deadline is fast approaching for all Title IV schools located in the United States to enroll in the electronic cohort default rate (eCDR) notification process. Enrollment for this process is mandatory. More information about eCDR, including a link to the Federal Register notice, Dear Colleague Letter, and step-by-step enrollment instructions, is available online at: [ed.gov/offices/OSFAP/defaultmanagement/ecdr.html](http://ed.gov/offices/OSFAP/defaultmanagement/ecdr.html).

### **How can I check to see if my school has already signed up for eCDR?**

Visit the Student Aid Internet Gateway (SAIG) at [fsaweb enroll.ed.gov](http://fsaweb enroll.ed.gov). Click on the "Check Enrollment Status" icon to view a list of services already associated with a given SAIG destination point.

### **My school has not signed up for eCDR. What steps should I take?**

Access the SAIG enrollment form at [fsaweb enroll.ed.gov](http://fsaweb enroll.ed.gov). Designate which individual should receive eCDR services for your school, and submit a President, CEO, or Chancellor signature page to activate the eCDR process. For assistance with technical problems on the SAIG Online Enrollment Web site, please call 1-800-330-5947. If you have other questions about the eCDR notification process please contact Default Management at: [FSA.schools.default.management@ed.gov](mailto:FSA.schools.default.management@ed.gov) or via telephone at 202-377-4259.

## **COMMON MANUAL UPDATES**

The 70<sup>th</sup> set of *Common Manual* updates was mailed in March to MGA clients. These updates represent a number of policy and wording changes approved by the Governing Board on March 20, 2003.

- Reissuing a Loan Disbursement
- Eligible Lender Definition
- Leave of Absence
- Post-Withdrawal Disbursement and Late Disbursement
- Multiple Disbursement and Delayed Delivery Exemptions
- Late Delivery by a School

- Extending a Repayment
- Unemployment Deferment Revisions
- Economic Hardship Deferment Eligibility
- Verbal Forbearance Agreements
- Administrative Forbearance
- Forbearance Notification
- Post-Withdrawal Disbursement
- Bankruptcy Impact on PLUS Credit Evaluation and Loan Approval
- New Borrower Date

If you have any questions about this or past mailings of *Common Manual* updates, please contact Susie Gibson, ext. 56769, or via e-mail at [gibsons@michigan.gov](mailto:gibsons@michigan.gov).

## **SPECIAL ALLOWANCE RATES**

Special allowance rates based on the 91-day Treasury Bill (T-bill) average and the three-month Commercial Paper average for the quarter ending March 30, 2003, are attached to this issue of *Educational Loan Notes*. All new FFELP loans disbursed on or after January 1, 2000, are paid special allowance, if eligible, based on the Commercial Paper rate.

## **LENDER LIST UPDATES**

School personnel should record the following actions on the "Participating Lender List" dated January 6, 2003. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Lender Services at ext. 39639.

### **Name Change**

EFS' **Eligible Lender Trust, 829489**, changed their name to EFS Finance Company through Zions First National Bank as Eligible Lender Trustee.

### **Joined Referral Program**

The following lenders have joined the Standard Federal referral loan program. Their address is c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone: 800-755-7858.

- 222009 The Private Bank
- 222010 Communications Family Credit Union
- 222011 Kenowa Municipal Credit Union
- 222012 Auto-Owners Associates Credit Union
- 813153 Iron Mountain-Kingsford Community Federal Credit Union
- 829191 Monroe Bank and Trust



### SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 16, 2003. If you have any questions regarding these changes, please contact our School Services Unit at ext. 36074.

#### E-mail Change

**Mid Michigan Community College (006768-00), Harrison**  
Gale Crandell's new e-mail address is [gcrandel@midmich.edu](mailto:gcrandel@midmich.edu).

**Oakland Community College – Highland Lakes (002302-05)**  
Cathy Archer's new e-mail address is [cdarcher@oaklandcc.edu](mailto:cdarcher@oaklandcc.edu).

#### Termination of Eligibility

**Metro Technical Institute (032493-00), Oak Park**  
Effective: 04/09/03

### THE "ED" PIPELINE

Following is a list of some of the most recent ED correspondence for schools and lenders.

[Dear Partner](#)  
[March 2003](#)  
[ANN-03-02](#)

This letter announces Web-based training for 2003-2004 EDExpress Basic functions.

[Dear Partner](#)  
[March 2003](#)  
[GEN-03-06](#)  
[G-03-347](#)  
[L-03-241](#)

This letter provides guidance regarding the administration of the federal student aid programs authorized under Title IV of the Higher Education Act for students and borrowers who have been ordered to active military duty, and for active duty military personnel whose duty station has been changed as a result of a military mobilization.



## Calendar of Upcoming Events

### May 2003

- 6 Mapping Your Future Evening Chat  
Loan Forgiveness, Discharge, and Cancellation
- 13 Guaranty Agency Advisory Committee Meeting  
MSU - University Club  
Lansing, MI
- 20 Spring School Workshop  
St. Johns's Golf and Conference Center  
Plymouth, MI
- 21 Spring School Workshop  
Crowne Plaza  
Grand Rapids, MI
- 26 MGA Office Closed
- 29-31 Michigan Credit Union League Annual  
Convention and Exposition  
Amway Grand Plaza Hotel  
Grand Rapids, MI

### June 2003

- 17-20 Michigan Bankers Association Annual  
Convention  
Grand Hotel  
Mackinac Island, MI
- 22-25 MSFAA Summer Conference  
Mission Point Resort  
Mackinac Island, MI

### July 2003

- 4 MGA Office Closed
- 9-12 2003 NASFAA Conference  
Salt Palace Convention Center  
Salt Lake City, Utah

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at ext. 36944, or via e-mail at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).



# LOAN NOTES

## APRIL 2003

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**91-DAY TREASURY BILL**  
**SPECIAL ALLOWANCE RATES**  
**FOR**  
**QUARTER ENDING MARCH 31, 2003**

	<b>Loan Rate</b>	<b>Special Allowance Annual Rate</b>	<b>SA Quarterly Rate</b>	<b>Part IV: Special Allowance Category Column C</b>
<b>SA</b>	7% 9%	0 0	0 0	<b>SA - for loans made before 10/01/81.</b>
<b>SB</b>	7% 8% 9%	0 0 0	0 0 0	<b>SB - for Stafford (subsidized) and PLUS loans made on/after 10/01/81, but before 10/17/86, or loans made on/after 10/17/86, but before 11/16/86, for enrollment periods beginning before 11/16/86.</b>
<b>SD</b>	7% 8% 9% FVAR10 (5.01%)  PLUS/SLS Var (5.38%)	0 0 0 0  0	0 0 0 0  0	<b>SD - for Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86, but prior to 11/16/86, for enrollment periods beginning on/after 11/16/86. For Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86, but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92, for periods of enrollment beginning on/after 10/01/92.</b>
<b>SE</b>	FVAR7 (4.86%) FVAR8 (4.86%) FVAR9 (4.86%) FVAR10 (4.86%) EVAR (4.86%)  PLUS/SLS Var (5.23%)	0 0 0 0 0  0	0 0 0 0 0  0	<b>SE - for Stafford loans made on/after 10/01/92, but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94, for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92, but before 07/01/94. Also, for SLS loans made on/after 10/01/92, but before 07/01/94; or <i>certified</i> before 07/01/94, and <i>disbursed</i> after 07/01/94.</b>
<b>SG</b>	Stafford Var (4.86%)  PLUS Var (5.23%)	0  0	0  0	<b>SG - for Stafford loans made on/after 07/01/94, but before 07/01/95, or loans made on/after 07/01/95, but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94, but before 07/01/98.</b>
<b>SH</b>	Stafford Var (4.26%)  PLUS Var (4.86%)	0  0	0  0	<b>SH - for Stafford loans made on/after 07/01/95, but before 07/01/98, <i>only</i> during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98 but prior to 01/01/00.</b>
<b>SJ</b>	Stafford Var (3.46%)	0	0	<b>SJ - for Stafford loans made on/after 07/01/98, but prior to 01/01/00, <i>only</i> during the in-school, grace, and deferment periods.</b>
<b>SK</b>	Stafford Var (4.06%)	0	0	<b>SK - for Stafford loans made on/after 07/01/98, but prior to 01/01/00, <i>only</i> during the repayment and forbearance periods.</b>

**PLEASE NOTE:** The 91-day T-bill average (bond equivalent rate) is **1.17%** for the **first** quarter of **2003**. This results in the following yields:

<b>SA</b> 1.17% plus 3.50% = 4.67%	<b>SG</b> 1.17% plus 3.10% = 4.27%
<b>SB</b> 1.17% plus 3.50% = 4.67%	<b>SH</b> 1.17% plus 2.50% = 3.67%
<b>SD</b> 1.17% plus 3.25% = 4.42%	<b>SJ</b> 1.17% plus 2.20% = 3.37%
<b>SE</b> 1.17% plus 3.10% = 4.27%	<b>SK</b> 1.17% plus 2.80% = 3.97%

**91-DAY COMMERCIAL PAPER  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING MARCH 31, 2003**

	<b>Loan Rate</b>	<b>Special Allowance Annual Rate</b>	<b>SA Quarterly Rate</b>	<b>Part IV: Special Allowance Category Column C</b>
<b>CA</b>	Stafford Var (5.39%)	0	0	<u>CA</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00, but prior to 07/01/03, <b>only</b> during the in-school, grace, and deferment periods.
<b>CB</b>	Stafford Var (5.99%)	0	0	<u>CB</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00, but prior to 07/01/03, during the repayment and forbearance periods <b>only</b> .
<b>CD</b>	PLUS Var (6.79%)	0	0	<u>CD</u> - for PLUS loans made on/after 01/01/00, but prior to 07/01/03. <b>Note:</b> special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.

**PLEASE NOTE:** The 3-month Commercial Paper average (bond equivalent rate) is **1.27%** for the **first** quarter of **2003**. This results in the following yields:

<b>CA</b> 1.27% plus 1.74% = 3.01%
<b>CB</b> 1.27% plus 2.34% = 3.61%
<b>CD</b> 1.27% plus 2.64% = 3.91%